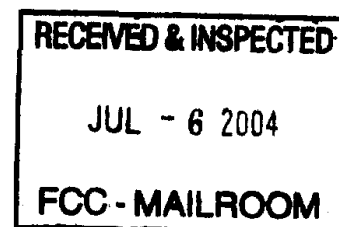


**Beard Miller
Company** LLP
Certified Public Accountants and Consultants

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CAPITAL TELECOMMUNICATIONS, INC.

SYSTEM AUDIT REPORT

APRIL 1, 2004 - JUNE 14, 2004

96-128

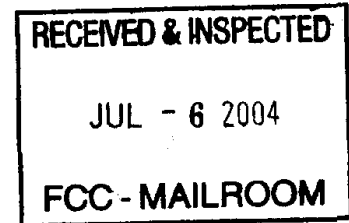


Capital Telecommunications, Inc.

Voice. Data. Internet. Wireless.

June 30, 2004

Federal Communications Commission
Attn: FCC Secretary
445 12th Street, SW
Washington, DC 20554



Dear Mr. Secretary,

In accordance with FCC Docket 96-128 as approved on September 30, 2003, CTI is providing your company with a copy of the most recent audit report, company conformation, and contact sheet.

Should you have any questions regarding this report contact the undersigned at 717-805-6338 or tom@captel.com

Sincerely,

Thomas D. Morley
VP Controller
Capital Telecommunications, Inc

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CAPITAL TELECOMMUNICATIONS, INC.

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Capital Telecommunications, Inc.
York, Pennsylvania

We have examined management's assertion, included in the accompanying Completing Carrier Representation report, that Capital Telecommunications, Inc. complied with the requirements set forth in Attachment 1 during the period April 1, 2004 to June 14, 2004. Management is responsible for Capital Telecommunication, Inc.'s compliance with those requirements. Our responsibility is to express an opinion on management's assertion about Capital Telecommunication, Inc.'s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Capital Telecommunication, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Capital Telecommunication, Inc.'s compliance with specified requirements.

In our opinion, management's assertion that Capital Telecommunication, Inc. complied with the compliance requirements for the period April 1, 2004 to June 14, 2004 is fairly stated, in all material respects, based on the requirements set forth in Attachment 1.

This report is intended solely for the information and use of Federal Communications Commission, Payphone Service Providers, and Intermediate Carriers and is not intended to be and should not be used by anyone other than these specified parties.

Beard Miller Company LLP

York, Pennsylvania
June 18, 2004



Completing Carrier Representation

Capital Telecommunications, Inc (CTI) has reviewed the requirements for payphone call reporting and compensation as contained in the FCC Docket No. 96-128 adopted September 30, 2003. CTI after reviewing its own system confirms its compliance with the requirements as set forth by the FCC. CTI's system uses the following criteria to identify payphone calls, compensation, and the identities of the Payphone Service Provider (PSPs) owed compensation.

Criteria for identifying originating calls from payphones

- Industry standards using the Information Digits as supplied from the Local Exchange Carrier. See attachment from North American Numbering Plan Administration. These digits are passed through and collected by CTI owned Northern Telecom DMS-250/500 switches. The Information Digits are stored and preserved in the Call Detail Recording (CDR) of each call record.

Criteria for identifying compensable payphone calls

- As defined by the FCC, compensable calls are defined as those that answer. CTI owned switches identify these call records in the CDR via a field name of Answer Type. Answer Type values of 01, 02, 04 and 05 indicate the call has been answered. All fields within the CDR are fixed and controlled by Northern Telecom.

Criteria for identifying incomplete or otherwise noncompensable calls

- All calls that have a terminating trunk group and that are not answered are defined as incomplete and non-compensable call records. Any call record without a terminating trunk group does not contain reliable information for consideration.

Criteria for determining identities of PSPs owed compensation

- CTI receives quarterly database information containing the definitions of payphones and the associated owners as defined by the Local Exchange Carrier (LEC). In addition, CTI also receives claim of ownership from various payphone providers, such as APCC, ICORE, TCG Payphones and others.

In the event that CTI cannot identify the owner of a payphone, the LEC that provides service to the area code and exchange, as defined by the Operating Company Number (OCN), is contacted and a definition database is requested.



Completing Carrier Representation (continued)

Identity of any clearing houses used

- CTI does not utilize the services of any clearinghouse.

Types of information needed from PSPs in order to compensate PSPs

- The required data to compensate the PSP is as follows:
 - Listing of all ANI's owned by the PSP.
 - Contact name, address and phone number
 - Name/address to remit compensation

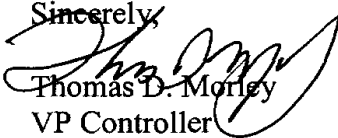
Contact Statement

Name of Completing Carrier: Capital Telecommunications, Inc
200 West Market Street
York, PA 17401

Contact Name: Thomas D. Morley
200 West Market Street
York, PA 17401
717-815-6338

Robert L. Smith
200 West Market Street
York, PA 17401
717-815-6326

Sincerely,


Thomas D. Morley

VP Controller

Capital Telecommunications, Inc

June 18, 2004

CAPITAL TELECOMMUNICATIONS, INC.

ATTACHMENT 1 - COMPLIANCE REQUIREMENTS

(See Accountant's Report)

1. Whether Capital Telecommunications, Inc.'s (CTI) procedures accurately track calls to completion;
2. Whether CTI has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls;
3. Whether CTI has effective data monitoring procedures;
4. Whether CTI adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability;
5. Whether CTI has created a compensable payphone call file by matching call detail records against payphone identifiers;
6. Whether CTI has procedures to incorporate call data into required reports;
7. Whether CTI has implemented procedures and controls needed to resolve payphone compensation disputes;
8. Whether the audit tests can be performed to ensure all critical controls and procedures are in place to verify that errors are insubstantial; and
9. Whether CTI has in place adequate and effective business rules for implementing and paying payphone compensation; including rules used to:
 - (a) identify calls originate from payphones;
 - (b) identify compensable payphone calls;
 - (c) identify incomplete or otherwise noncompensable calls; and
 - (d) determine the identities of the Payphone Service Provider to which CTI owes compensation.